

**Internal Revenue Service**

**District  
Director**

**Department of the Treasury**

1100 Commerce St., Dallas, Texas 75242

Date: **APR 04 1994**

Employer Identification Number:

[REDACTED]

Person to Contact:

[REDACTED]

Phone Number:

[REDACTED]

Refer Reply to:

[REDACTED] 8

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted indicates that you were incorporated on [REDACTED] [REDACTED] under the non-profit laws of the state of [REDACTED]. Your purposes as set forth in your Articles of Incorporation are as follows: The purposes for which the corporation is organized is to provide recreation for its members, to promote social contacts among its members, and to provide for them the convenience of a club house.

Your club rules state that the hunts during the white wing season will be determined at the annual meeting. Each member will be allocated [REDACTED] hunts. For additional hunts or changes, a member who desires such shall first make a reservation with the president's secretary. If the desired date has already been reserved, he may request the member holding the reservation to include him in his party. Mutually satisfactory arrangements can be made so long as the number in the hunting party does not exceed the maximum.

Any infringement or intrusion by a member at the clubhouse or on any of the adjacent hunting areas (or any other ranches used as hunting areas) are grounds for strong reprimand and/or expulsion from membership, and will be enforced. Any member who reserves the ranch for a hunting date is entitled to the exclusive use of the ranch as well as the regularly hunted adjacent areas.

The facilities that you use for your hunting trips are located in [REDACTED] [REDACTED] and they are leased from individuals located in [REDACTED].

You have contracted with an individual in [REDACTED] to provide all the services and supplies you need for your hunting trips. Your members must reserve the facilities in advance for their trips. They must notify this individual of the trip dates, number of guests, the amount of food, liquor and ammunition they need, in advance. He will get the needed supplies and the help to conduct the hunts and take care of the member and their guests. The member is required to pay this individual for all the services provided by him and his employees.

Information submitted indicates that there were [REDACTED] hunting trips taken over a [REDACTED] year period. Only [REDACTED] times during this period did a member take [REDACTED] or fewer guests with him. This information also shows that only [REDACTED] members, that both live in [REDACTED], have used your facilities together on their trips during the 2 years. On all the other trips, a single member has taken anywhere from [REDACTED] to [REDACTED] guests. You, except for several trips in the past [REDACTED] years, have not met the 8 guests per member limit or the 75 percent limitations stated in Revenue Procedure 71-17. These member-guest limits are very relevant in determining qualification for exemption.

A letter submitted by an officer stated that he and another member, his employer, frequently meet for lunch. They often discuss club business at lunch. He also meets with another member who is his dentist and they also discuss club activities. These meetings do not constitute commingling because they are made for work related or personal purposes, and are only incidentally related to your activities.

You indicate that you hold only one annual business meeting for all members, and their families, followed by recreational activities. You stated that was the only such meeting of all members. The application and replies to our letters do not show any other joint activities by members for recreational purposes, that would constitute commingling. Phone calls, facsimiles and letters are not sufficient to constitute commingling. The contract and other arrangements submitted with your application would indicate that all work at the facilities is done by the contractor and his employees.

Section 501(c)(7) of the Internal Revenue Code provides exemption for:

Clubs organized for pleasure, recreation and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private individual.

Revenue Ruling 70-32, C.B. 1970-1, 132 describes a flying club providing economical flying facilities for its members, but having no organized social and recreational programs. The club was organized to own and operate aircraft for business or personal use by its members and provide economical flying facilities for its members. There is little commingling among members for social or recreational purposes. It was held that this club does not qualify for exemption under section 501(c)(7).

In contrast, Revenue Ruling 74-30, C.B. 1974-1, 137 describes a flying club that provides flying privileges solely for its members interested in flying as a hobby, constantly commingle in informal meetings, maintain and repair the aircraft and fly together in small groups. There is no paid staff or management. Members do the work required to maintain the aircraft. Accordingly, this club qualifies for exemption.

Revenue Procedure 71-17, C.B. 1971-1, 683 describes the records required when nonmembers use a club's facilities and the circumstances under which a host-guest relationship will be assumed, which is relevant for purposes of determining adherence to exemption requirements. Where a club makes its facilities available to the general public to a substantial degree, the club is not operated exclusively for pleasure, recreation, or other not for profit purposes.

Where a group of eight or fewer individuals, at least one of whom is a member, uses club facilities, it will be assumed that the nonmembers are the guests of the member, provided payment is received by the club directly from the member. Where 75 percent or more of a group using club facilities are members, it will likewise be assumed that the nonmembers in the group are guests of members, provided payment for such use is received by the club directly from one or more of the members.

Revenue Ruling 69-635, C.B. 1969-2, 126 describes an automobile club whose principal activity is rendering automobile service to its members, but has no significant social activities. Because rendering services to its members is the principal activity and there is no significant commingling of its members, this organization does not qualify for exemption. In order to qualify for exemption under section 501(c)(7) of the Code, a commingling of members must play a material part in the activities of the organization.

You operate in a manner very similar to the club described in Revenue Ruling 74-30. You are providing a hunting lodge for your members and their guests to use on an economical basis. The facilities can be used only after a member makes planned reservations with the operators in [REDACTED]. Except for your annual business meeting, followed by recreational activities, there is almost no other commingling by groups of members for social purposes.

Unlike the club described in Revenue Ruling 74-30, your members do not have constant person to person association for recreational purposes or to share work on the club facilities. In fact, your facilities, located in [REDACTED], are leased. All the work, food, supplies, guides, household help, etc. are provided through an arrangement made with an individual located in [REDACTED].

Like the club described in Revenue Ruling 69-635, your primary purpose is to provide a service to members; in the form of a hunting lodge. The use of this lodge is actually provided in a manner similar to a time-share arrangement.

Furthermore, in order to qualify for exemption under section 501(c)(7) of the Code, a commingling of members must play a material part in the activities of the organization.

Therefore, we conclude that you do not meet the requirements for exemption under section 501(c)(7) of the Code. Accordingly, you are required to file Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 832 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

[REDACTED]

District Director

cc Bureau  
cc Division 100  
cc [REDACTED]

[REDACTED]